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INCOMING TELEGRAM

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ACTION EB-08

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ICA-15 NSAE-00 COME-00 TRSE-00 STR-11 AGR-01 SP-02
SPRS-02 /089 W

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R 102358Z JUL 81
FM AMEMBASSY WELLINGTON
TO SECSTATE WASHDC 2724
INFO AMEMBASSY BRUSSELS
AMEMBASSY CANBERRA

UNCLAS WELLINGTON 03599

BRUSSELS FOR USEC
DEPARTMENT PASS AGRICULTURE FOR R. ANDERSON/FAS

E.O. 12065: N/A
TAGS: ETRD, EAGR, NZ, UR
SUBJECT: U.S. BUTTER DISPOSAL PLANS

REF: (A) STATE 180186
(B) WELLINGTON 3556

1. YESTERDAYS' MORNING NEWSPAPER, THE DOMINION, PUBLISHED THE FOLLOWING ARTICLE:

2. BEGIN TEXT:
U.S. BUTTER PURCHASE LIKELY
THE SALE OF A LARGE PORTION OF THE HUGE UNITED STATES BUTTER SURPLUS TO THE NEW ZEALAND DAIRY BOARD SEEMS LIKELY TO GO AHEAD. THE DEAL COULD RESULT IN MUCH LARGER SALES OF NEW ZEALAND BUTTER TO THE SOVIET UNION. REPORTS FROM BRUSSELS SAID THE BOARD COULD BUY UP TO HALF OF THE UNITED STATES 200,000-TONNE SURPLUS TO AVOID DISRUPTION OF THE INTERNATIONAL MARKET. DAIRY BOARD SPOKESMAN NEVILLE MARTIN SAID YESTERDAY THAT IF ANY DEAL WENT AHEAD THE PRICE WOULD BE CLOSER TO WORLD LEVELS, ABOUT DOLLARS 2,000 A TONNE. NO DECISION HAD BEEN MADE YET.

3. "THE PRIME OBJECT ON OUR PART WOULD BE TO MANAGE THE DISPOSAL OF THE BUTTER ON TO THE INTERNATIONAL MARKET WITH THE MINIMUM DISRUPTION TO THE TRADE," MR MARTIN SAID. "WE ARE BEST PLACED AND BEST ABLE TO DO THAT BECAUSE WE ARE THE LARGEST SINGLE TRADER IN THE INTERNATIONAL DAIRY MARKET AND WE ARE IN A POSITION TO HANDLE THE EXERCISE MOST EXPEDITIOUSLY. THE AMERICANS DON'T HAVE THE MECHANISMS--THEY ARE NOT IN THE BUSINESS OF INTERNATIONAL DAIRY MARKETING THEMSELVES. IF THEY PUT IT UP FOR TENDER IT WOULD GO TO MANY BUYERS AND LIKELY WOULD HARM THE INTERNATIONAL TRADE."

4. IF THE AMERICANS INSISTED THE BUTTER WAS NOT TO BE SOLD TO RUSSIA, THE BOARD WOULD REPORT THEIR WISHES. THE BOARD WOULD NOT BE DRAWN OUT ON WHETHER NEW ZEALAND BUTTER WOULD BE SENT TO THE SOVIET UNION AND BE REPLACED ON NEW ZEALAND WORLD MARKETS BY THE UNITED STATES BOUGHT STOCKS. MR MARTIN SAID PART OF THE AMERICAN BUTTER WOULD BE CONVERTED INTO BUTTER OIL IF A DEAL WENT AHEAD. BUTTER OIL HAD A WIDER SPREAD OF MARKETS AND WOULD GIVE THE BOARD GREATER FLEXIBILITY IN SELLING. END TEXT.
SALMON

DEPARTMENT OF STATE A/CDC/MR
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